

EMPIRE HEALTH FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Empire Health Foundation
Spokane, Washington

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Empire Health Foundation (a nonprofit corporation) which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Empire Health Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 42 to 47 is presented for purposes of additional analysis of the consolidated financial statements and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Spokane, Washington
July 22, 2021

**EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
Cash and Cash Equivalents	\$ 24,759,265	\$ 23,815,588
Accounts Receivable, Net of Allowance for Loss of \$1,441 Each Year	3,398,293	1,709,782
Pledges Receivable, Net	3,134,479	1,000,000
Grants Receivable	133,060	-
Investments	101,980,015	92,999,120
Notes and Loans Receivable	530,000	1,530,000
Beneficial Interest in Trusts	292,349	283,165
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	3,166,372	3,294,717
Prepaid Expense	694,752	723,840
Other Assets	143,595	224,561
	\$ 138,232,180	\$ 125,580,773
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,063,836	\$ 1,330,812
Annuities Payable	48,492	43,227
Accrued Salaries, Wages, and Employee Benefits	166,802	164,605
Grants and Pledges Payable	386,746	458,748
Paycheck Protection Program Loan	402,566	-
Deferred Revenue	393,521	338,560
Funds Held for Others	17,020,790	15,816,235
Workers' Compensation Self-Insurance Liability	83,000	82,000
Total Liabilities	20,565,753	18,234,187
NET ASSETS		
Without Donor Restrictions	111,333,525	104,865,406
With Donor Restrictions	6,332,902	2,481,180
Total Net Assets	117,666,427	107,346,586
Total Liabilities and Net Assets	\$ 138,232,180	\$ 125,580,773

See accompanying Notes to Consolidated Financial Statements.

EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 30,757	\$ 5,805,815	\$ 5,836,572
Program Revenue	19,918,241	-	19,918,241
Investment Income, Net of Expenses	574,083	18,106	592,189
Net Realized Gain from Investments	1,973,881	7,575	1,981,456
Net Unrealized Gain from Investments	8,661,685	19,377	8,681,062
Other Income	1,122,955	440	1,123,395
Distributions	-	(17,969)	(17,969)
Net Assets Released from Restrictions	1,981,622	(1,981,622)	-
Total Revenue and Support	<u>34,263,224</u>	<u>3,851,722</u>	<u>38,114,946</u>
EXPENSES			
Grants Expenses	2,810,153	-	2,810,153
Provider Services	16,716,159	-	16,716,159
Concrete Goods Deliveries	41,409	-	41,409
Salaries, Payroll Taxes, and Benefits	5,284,010	-	5,284,010
Professional Services	1,555,340	-	1,555,340
Rent and Office Expenses	508,925	-	508,925
Other General and Administrative Expenses	590,876	-	590,876
Depreciation of Fixed Assets	214,772	-	214,772
Excise and Property Taxes	39,478	-	39,478
Interest Expense	1,187	-	1,187
Trailing: Other Business Litigation	1,554	-	1,554
Trailing: Other EHS Trailing Administration Expenses	31,242	-	31,242
Total Expenses	<u>27,795,105</u>	<u>-</u>	<u>27,795,105</u>
CHANGES IN NET ASSETS	6,468,119	3,851,722	10,319,841
Net Assets – Beginning of Year	<u>104,865,406</u>	<u>2,481,180</u>	<u>107,346,586</u>
NET ASSETS – END OF YEAR	<u>\$ 111,333,525</u>	<u>\$ 6,332,902</u>	<u>\$ 117,666,427</u>

See accompanying Notes to Consolidated Financial Statements.

EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 618,143	\$ 61,498	\$ 679,641
Program Revenue	13,365,963	-	13,365,963
Investment Income, Net of Expenses	877,782	35,331	913,113
Net Realized Gain from Investments	4,056,164	9,366	4,065,530
Net Unrealized Gain from Investments	8,664,093	41,232	8,705,325
Other Income	22,673,786	-	22,673,786
Distributions	-	(20,255)	(20,255)
Net Assets Released from Restrictions	1,989,678	(1,989,678)	-
Total Revenue and Support	52,245,609	(1,862,506)	50,383,103
EXPENSES			
Grants Expenses	2,485,359	-	2,485,359
Provider Services	11,020,251	-	11,020,251
Concrete Goods Deliveries	23,859	-	23,859
Salaries, Payroll Taxes, and Benefits	4,326,152	-	4,326,152
Professional Services	1,660,291	-	1,660,291
Rent and Office Expenses	460,266	-	460,266
Other General and Administrative Expenses	822,002	-	822,002
Depreciation of Fixed Assets	201,818	-	201,818
Excise and Property Taxes	125,838	-	125,838
Trailing: Other Business Litigation	1,236,552	-	1,236,552
Trailing: Other EHS Trailing Administration Expenses	(3,017,489)	-	(3,017,489)
Total Expenses	19,344,899	-	19,344,899
CHANGES IN NET ASSETS	32,900,710	(1,862,506)	31,038,204
Net Assets – Beginning of Year	71,964,696	4,343,686	76,308,382
NET ASSETS – END OF YEAR	\$ 104,865,406	\$ 2,481,180	\$ 107,346,586

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services				Total Program Services	Management and General	Total
	Empire Health Foundation	Family Impact Network	Philanthropy In Action	Empire Health Community Advocacy Fund			
Grants Expenses	\$ 1,921,494	\$ 316,127	\$ 316,282	\$ 256,250	\$ 2,810,153	\$ -	\$ 2,810,153
Provider Services	-	16,716,159	-	-	16,716,159	-	16,716,159
Concrete Goods Deliveries	-	41,409	-	-	41,409	-	41,409
Salaries, Payroll Taxes, and Benefits	1,450,725	1,654,008	-	-	3,104,733	2,179,277	5,284,010
Professional Services	584,155	29,424	127,130	-	740,709	814,631	1,555,340
Rent and Office Expenses	21,728	122,167	6,236	-	150,131	358,794	508,925
Other General and Administrative Expenses	122,993	32,790	4,806	-	160,589	430,287	590,876
Depreciation of Fixed Assets	-	-	-	-	-	214,772	214,772
Excise and Property Taxes	12,971	-	1,557	-	14,528	24,950	39,478
Interest Expense	-	-	-	-	-	1,187	1,187
Trailing: Other Business Litigation	-	-	-	-	-	1,554	1,554
Trailing: Other EHS Trailing Administration Expenses	-	-	-	-	-	31,242	31,242
Total Functional Expenses	\$ 4,114,066	\$ 18,912,084	\$ 456,011	\$ 256,250	\$ 23,738,411	\$ 4,056,694	\$ 27,795,105

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Empire Health Foundation	Family Impact Network	Philanthropy In Action				
Grants Expenses	\$ 2,455,359	\$ -	\$ 30,000	\$ 2,485,359	\$ -	\$ -	\$ 2,485,359
Provider Services	-	11,020,251	-	11,020,251	-	-	11,020,251
Concrete Goods Deliveries	-	23,859	-	23,859	-	-	23,859
Salaries, Payroll Taxes, and Benefits	1,169,402	1,128,903	-	2,298,305	2,027,847	-	4,326,152
Professional Services	583,584	101,681	106,566	791,831	868,460	-	1,660,291
Rent and Office Expenses	36,857	92,995	-	129,852	330,414	-	460,266
Other General and Administrative Expenses	168,253	170,197	8,291	346,741	475,261	-	822,002
Depreciation of Fixed Assets	-	-	-	-	201,818	-	201,818
Excise and Property Taxes	8,254	-	435	8,689	117,149	-	125,838
Trailing: Other Business Litigation	-	-	-	-	1,236,552	-	1,236,552
Trailing: Other EHS Trailing Administration Expenses	-	-	-	-	(3,017,489)	-	(3,017,489)
Total Functional Expenses	\$ 4,421,709	\$ 12,537,886	\$ 145,292	\$ 17,104,887	\$ 2,240,012	\$ -	\$ 19,344,899

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions and Other Revenue and Support	\$ 23,679,392	\$ 38,775,210
Net Cash Received from Agency Transactions	1,204,555	5,253,318
Cash Paid to Employees and Vendors	(23,126,274)	(19,149,834)
Cash Paid for Grants	(3,784,396)	(3,450,405)
Net Cash Provided (Used) by Operating Activities	(2,026,723)	21,428,289
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes and Loans Repaid	1,000,000	-
Notes and Loans Advanced	-	(530,000)
Purchases of Investments	(35,784,601)	(26,535,963)
Proceeds from Sale of Investments	37,982,918	27,077,973
Reinvest Investment Earnings	(544,056)	(990,473)
Purchase of Land, Building, and Equipment	(86,427)	(406,425)
Net Cash Provided (Used) by Investing Activities	2,567,834	(1,384,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP Loan	777,566	-
Repayments of PPP Loan	(375,000)	-
Net Cash Provided by Financing Activities	402,566	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	943,677	20,043,401
Cash and Cash Equivalents – Beginning of Year	23,815,588	3,772,187
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 24,759,265	\$ 23,815,588
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 10,319,841	\$ 31,038,204
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gain from Investments	(10,635,156)	(12,770,855)
Gain From Beneficial Interest in Trusts	(9,184)	(27,133)
Depreciation Expense	214,772	201,818
(Increase) Decrease in Assets:		
Accounts Receivable	(1,688,511)	38,617
Pledges Receivable	(2,134,479)	779,839
Grants Receivable	(133,060)	-
Prepaid Expense	29,088	124,251
Other Assets	80,966	4,170
Increase (Decrease) in Liabilities:		
Accounts Payable	733,024	(327,926)
Accrued Salaries, Wages, and Employee Benefits	2,197	(64,975)
Grants and Pledges Payable	(72,002)	(62,805)
Deferred Revenue	54,961	338,560
Cost Reimbursement Programs	-	(3,118,106)
Funds Held for Others	1,204,555	5,253,318
Workers' Compensation Self-Insurance Liability	1,000	24,000
Annuities Payable	5,265	(2,688)
Total Adjustments	(12,346,564)	(9,609,915)
Net Cash Provided (Used) by Operating Activities	\$ (2,026,723)	\$ 21,428,289

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Empire Health Foundation (the Foundation or EHF) was incorporated in the state of Washington on August 22, 2008, for the purpose of continually bringing good health to life in the Greater Spokane Region through the promotion, facilitation, and/or funding of health initiatives, education, and research. The Foundation believes health is a fundamental human right and its mission to advance health equity and transform systems to improve health and quality of life is predicated on the values of diversity/equity/inclusion, compassion, innovation, collaboration, measurable impact and integrity.

The Foundation is a private foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and was formed originally to receive the net proceeds of the sale of Empire Health Services (EHS) to Community Health Systems, Inc. (CHS) on September 30, 2008. The proceeds from the sale of EHS were treated as the initial contribution to the Foundation on October 1, 2008, when the Foundation commenced operations.

As part of the transfer of proceeds of the sale of EHS to the Foundation, certain assets and liabilities of EHS were assumed by the Foundation. Liabilities assumed included amounts due under cost reimbursement programs, professional malpractice liabilities, 403(b) transition liabilities, workers' compensation self-insurance liabilities, and the defined benefit pension plan actuarial liabilities which existed as of the last day of EHS operations on September 30, 2008 (see Note 4).

Philanthropy Center LLC (PC LLC) was formed as a Washington State Limited Liability Company on July 9, 2013, for the purpose of acquiring, restoring, managing, and leasing certain real property to the Foundation, its affiliates and others. For federal tax purposes, PC LLC's operations are incorporated as a disregarded entity into the Foundation's annual Return of a Private Foundation. The Foundation is the sole member of PC LLC and exercises full financial and operational control over PC LLC through an operating agreement. As such, the Foundation has a controlling financial interest in PC LLC requiring consolidation within these consolidated financial statements.

Family Impact Network (FIN) was formed as a Washington State nonprofit corporation on June 23, 2014, for the purpose of promoting the health of families in Washington State through the promotion, conduct and/or arranging of child welfare services principally pursuant to a contract with the Washington State Department of Children, Youth, and Families (DCYF). In 2019, FIN expanded its program services to include providing behavioral health services for families that live on tribal reservations in Northeast Washington State. Beginning in 2021, FIN will receive a portion of the associated revenue that the tribes bill to Medicaid, will itself also bill Medicaid directly and will seek other related revenue sources to sustain this new effort. FIN is a public charity exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation is the sole member of FIN and has a controlling financial interest in FIN requiring consolidation within these consolidated financial statements.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Philanthropy in Action (PIA) was formed as a Washington State nonprofit corporation on February 10, 2016, for the purpose of improving the health of people in Washington State through the provision of resources, services, and funding of programs aimed at vulnerable families and individuals that address health, safety, prevention, permanency, stability, and overall well-being. In 2018, PIA became the agent for receiving, holding, and disbursing funds appropriated for or otherwise awarded to the Andy Hill Cancer Research Endowment (AHCRC), a state of Washington commitment to sustained investment in cancer research, prevention, and care. In 2019, PIA became the agent for receiving, holding and disbursing funds provided by Premera Blue Cross for granting to rural healthcare providers in Washington State for capital improvements. PIA is a public charity exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation is the sole member of PIA and has a controlling financial interest in PIA requiring consolidation within these consolidated financial statements.

Sunset Health LLC (SSH) was formed as a Washington State Limited Liability Company on July 25, 2019, for the purpose of acquiring, developing, managing, and leasing certain real property to others. For federal tax purposes, SSH's operations are incorporated as a disregarded entity into the Foundation's annual Return of a Private Foundation. The Foundation is the sole member of SSH and exercises full financial and operational control over SSH through an operating agreement. As such, the Foundation has a controlling financial interest in SSH requiring consolidation within these consolidated financial statements.

Empire Health Community Advocacy Fund (EHCAF) was formed as a Washington State nonprofit corporation on September 18, 2019 and operates exclusively for charitable and social welfare purposes within the meaning of IRC Section 501(c)(4). Such charitable and social welfare operations are intended to include improving public policy discourse for solutions to local health challenges. The Foundation is the sole member of EHCAF and has a controlling financial interest in EHCAF requiring consolidation within these consolidated financial statements.

Basis of Accounting

The consolidated entities prepare their financial statements in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards Financial Statements of *Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the consolidated entities are required to report information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include resources that are not restricted by the donor and are available for the operations of the consolidated entities without limitation. Net assets with donor restrictions are those whose use by the consolidated entities has been limited by donors to specific time period or purpose or that have been restricted by donors to be maintained in perpetuity (see Note 5).

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The accompanying 2020 and 2019 consolidated financial statements include the accounts of the Foundation in consolidation with its affiliates FIN, PIA, SSH, EHCAF and PC LLC, as of and for the years ended December 31, 2020 and 2019. All material inter-entity balances are eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these consolidated financial statements include liabilities assumed from EHS and functional expense allocations. Actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Costs are allocated between program services, management and general, and fundraising based on evaluations of the related activities. Management and general expenses include expenses that are not directly identifiable with any other specific function, but instead provide for the overall support and direction of the organizations.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized when received. All contributions are available for use without restriction unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at fair value, estimated using the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Unconditional promises to give are reported net of any allowance for uncollectible amounts. The consolidated entities consider all unconditional promises to give at December 31, 2020 and 2019 to be fully collectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met. No material conditional promises to give exist at December 31, 2020 and 2019.

To determine revenue recognition for the arrangements that the Organization determine are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Organization satisfied a performance obligation.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Program revenue includes revenue related to child welfare programs and is recognized at the time the service is provided. As services are performed by providers that FIN contracts with, amounts are billed to DCYF and recognized as accounts receivable and revenue.

These same amounts are also simultaneously recognized by FIN as accounts payable and expense because the amounts are ultimately owed to the service providers. Under the contract with DCYF, FIN receives certain funds in advance and recognizes revenue over time as services are performed in accordance with the contract. These funds are included in deferred revenue on the statement of financial position (see Note 15 for more information on deferred revenue). DCYF also provides a significant portion of the funding for the Network Administrator contract on a reimbursement basis. For those expenses, revenue is recognized as the expenses are incurred.

EHF earns contract revenue by providing administrative and accounting support, principally at cost, to related entities such as FIN, BHT, STHC, PIA and EHCAF. This revenue is recognized monthly as the services are provided. EHF and PIA also earn revenue from contracts with funders to manage grant funding programs. This revenue is recognized as services are provided (see Note 15 for more information on deferred revenue). EHF and PIA hold the managed funds until funding decisions are made and have treated the funds as agency transactions. EHF also earned revenue as the developer for J AULD APTS LLC, a tax credit subsidized rental housing project. This revenue is recognized in accordance with the terms of Development Fee Agreement for services rendered for overseeing the development and construction of the property. The developer fee of \$700,000 was substantially earned in 2020 when the project construction was completed, with \$663,926 to be collected when the property converts to permanent financing in 2021.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contract assets and liabilities consist of:

	2020	2019
Accounts Receivable (Noneliminated), Including Developer Fee:		
FIN	\$ 2,012,373	\$ 1,342,740
EHF	\$ 1,246,013	\$ 404,800
EHF:		
Deferred Revenue	\$ 393,521	\$ -
FIN:		
Deferred Revenue	\$ -	\$ 310,303
Funds Held for Others	135,457	295,167
Total	\$ 135,457	\$ 605,470
PIA:		
Deferred Revenue	\$ -	\$ 28,257
Funds Held for Others	16,885,333	15,521,068
Total	\$ 16,885,333	\$ 15,549,325

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the consolidated entities consider all highly liquid investments with original maturity dates of three months or less, short-term cash investments, and other highly liquid debt instruments not otherwise included in investments, if any, to be cash equivalents.

Receivables

Accounts receivables are recorded at the original invoice amount, less allowance for loss. At December 31, 2020 and 2019, FIN considered \$1,441 of its accounts receivable to be doubtful as to collection, recognizing a corresponding allowance for loss. Pledges receivable due within one year are recorded at net realizable value. Pledges receivable due beyond one year are recorded at present value of their estimated future cash flows. The consolidated entities consider pledges receivables at December 31, 2020 and 2019, to be fully collectible; accordingly, no allowance for loss has been recorded (see Note 13 for further detail regarding pledges receivable).

Investments

Investments are stated at fair value based on quoted market prices. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and unrealized appreciation (depreciation) of those investments, is shown in the consolidated statements of activities and changes in net assets (see Notes 3 and 6).

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes and Loans Receivable

Mortgage loans and other notes receivable are carried at cost, less allowance for loss. The consolidated entities consider the mortgage loans receivable at December 31, 2020 and 2019 to be fully collectible; accordingly, no allowance for loss is considered necessary (see Note 9).

Land, Building, and Equipment

Amounts expended in excess of \$5,000 to acquire or improve land, building and equipment are capitalized. Land, building, and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years (see Note 8).

Inventory

Inventory held in connection with FIN's DCYF contract is reported in other assets and is recorded using the average cost or net realizable value.

Concentration of Credit Risk

The consolidated entities maintain their cash in bank deposit accounts that, at times, may exceed federally insured limits. The consolidated entities have experienced no losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

The consolidated entities' investments consist primarily of financial instruments, including cash equivalents, mutual funds, and money market funds. These financial instruments may subject the consolidated entities to concentrations of credit risk as balances exceed amounts insured by federal agencies. Management believes that risk with respect to these balances is minimal due to the high credit quality of the institutions issuing and holding the assets.

FIN receives the majority of its revenues through its contract with the DCYF and is, therefore, reliant on this contract to fulfill its charitable purposes and maintain perpetual existence.

Employee Benefit Plans

As part of the assumed EHS liabilities, the Foundation was responsible for a defined benefit pension plan that benefitted former employees of EHS who met the eligibility requirements as of September 30, 2008. The plan was fully terminated pursuant to Internal Revenue Service (IRS) and Department of Labor guidelines through a combination of lump sum distributions and an annuity purchase in 2015, with final administrative wind-down activities and related costs concluded in 2016. Even so, the Foundation remains potentially obligated for any plan administrative errors occurring prior to the plan termination. No such obligation is recorded at December 31, 2020 and 2019, respectively, although the Foundation paid approximately \$35,000 to cover a plan administrative error in 2019.

The Foundation established a defined contribution 401(k) retirement plan effective January 1, 2010. FIN established a defined contribution 401(k) retirement plan effective January 1, 2015 (see Note 10).

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Self-Insurance

The Foundation self-insures for workers' compensation and professional liability exposure related to former EHS employees and operational liabilities that existed as of September 30, 2008 (see Note 4).

Medicare/Medicaid Cost Report Settlements

The Foundation is potentially obligated for amounts due under Medicare and Medicaid cost reimbursement programs related to former EHS operations but will also receive the benefit of cost report settlement receivables, each as existed as of September 30, 2008 (see Note 4).

Income Tax Status

The IRS has determined that the Foundation, FIN, and PIA are exempt from federal income tax under Section 501(c)(3) of the IRC. For federal tax purposes, PC LLC's and SSH's operations are incorporated as a disregarded entity into the Foundation's annual Return of a Private Foundation.

EHF has further been designated by the IRS as a private foundation. The IRC imposes an excise tax of 1.39% (2% reduced to 1% in years 2019 or earlier if certain requirements were met) on net investment income of private foundations, such as the Foundation. EHF recorded a receivable of \$42,119 for overpaid federal excise taxes, included with accounts receivable, at December 31, 2020 and a payable for federal excise taxes of \$26,821, included with accounts payable at December 31, 2019. Certain revenues generated from alternative investment funds are subject to the tax on unrelated business income. Consequently, in addition to annually filing Form 990-PF, EHF annually files Form 990-T to report its UBIT activity. In addition to the excise tax imposed, private foundations are also subject to the following restrictions and requirements:

1. restrictions on self-dealing between private foundations and their substantial contributors and other disqualified persons;
2. requirements that private foundations annually distribute income for charitable purposes;
3. limits on private foundations holdings in private businesses;
4. provisions that private foundations investments must not jeopardize the carrying out of exempt purposes; and
5. provisions to assure that expenditures of private foundations further exempt purposes.

At the time of its formation, PIA was initially designated by the IRS as a 501(c)(3) tax-exempt public charity pursuant to IRC Section 170(b)(1)(A)(vi). Qualification as a public charity under this section is predicated upon an organization's revenues meeting a minimum public support test over a rolling five-year period. As of December 31, 2020, PIA has not met the public support test for its first 5 tax years of existence. Consequently, while its status as a public charity is unaffected for years 2016 through 2020, pursuant to IRS regulations, it is likely that PIA will automatically convert to private foundation status beginning with the 2021 tax year.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

While remaining a tax-exempt corporation, this conversion of status could materially impact PIA's ability to receive future funds from donors due to certain limiting restrictions and conditions upon charitable contributions to a private foundation.

EHCAF is exempt from federal income tax pursuant to IRC Section 501(c)(4). While not required to do so, in early 2021 EHCAF filed Form 1024-A to receive an official determination letter of IRS recognition of its section 501(c)(4) status. Final determination from the IRS is pending at the date of these financial statements.

Income Tax Positions

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Change in Accounting Principle

Fair Value Measurements

Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. Management has elected to early adopt the ASU.

New Accounting Pronouncement Effective in Future Accounting Periods

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months.

The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2021; however, early application is permitted. Management is currently evaluating the impact this guidance will have on its consolidated financial statements.

Subsequent Events

Subsequent events have been evaluated through July 22, 2021, which is the date the consolidated financial statements were available to be issued.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY

Each entity within the consolidated group is responsible for its own cash management and liquidity practices, which differ between entities. Below is a table for the Foundation at the consolidated level:

	2020	2019
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 24,759,265	\$ 23,815,588
Accounts Receivable, Net	3,398,293	1,709,782
Pledges Receivable, Net	3,134,479	1,000,000
Grants Receivable	133,060	-
Investments	101,980,015	92,999,120
Notes and Loans Receivable	530,000	1,530,000
Beneficial Interest in Trusts	292,349	283,165
Total Financial Assets	134,227,461	121,337,655
Less: Amounts Not Available to Be Used		
Within One Year:		
Investments in Nonliquid Alternative Investments	(4,359,378)	(2,657,358)
Investments Held in Custodial Accounts	(625,049)	(633,535)
Investments Securing Charitable Remainder Trusts	(95,719)	(88,813)
Cash and Investments Held for Others	(17,020,790)	(15,816,235)
Pledges Receivable With Donor Restrictions	(3,134,479)	(1,000,000)
Other Net Assets With Donor Restrictions	(3,198,423)	(1,481,180)
Mortgages Notes Due Beyond One Year	(530,000)	(530,000)
Less: Accounts Payable (PC)	(9,314)	(14,080)
Less: Targeted for Maintenance Reserve (PC)	(11,248)	(3,248)
Deferred Revenue Related to Restricted Purposes	(393,521)	(28,257)
Amounts Restricted for Provider Payments	(2,163,284)	(1,114,547)
Financial Assets Unavailable for Use		
Within One Year	(31,541,205)	(23,367,253)
Financial Assets Available to Meet		
General Expenditures Within One Year	\$ 102,686,256	\$ 97,970,402

Following is a summary of the practices of each:

Empire Health Foundation

The Foundation is an endowed entity. Approximately 96% of the Foundation's endowed investments are held in marketable instruments that could be liquidated at fair value within a short period of time. The income from its endowed investments, including capital appreciation, is used to fund program services and general expenditures. It also receives revenues without donor restrictions that fund certain program services, as well as costs incurred in the provision of providing its affiliates with leased employees and administrative services. Lastly, the Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions, which include both regrating and administrative costs.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY (CONTINUED)

Empire Health Foundation (Continued)

The Foundation considers investment income without donor restrictions and support without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include general and administrative expenses and grant commitments expected to be paid in the subsequent year.

The Foundation manages its liquid resources to meet general expenditures following these principles:

- Investing and operating within a prudent range of financial soundness;
- Maintaining adequate liquid assets;
- Maintaining sufficient reserves.

The Foundation's board annually approves a budget for general expenditures, which budget is expressed as a percentage of the Foundation's endowed assets and meets the minimum spending requirements of the IRS for a private foundation. The Foundation communicates this budget to its investment manager and proposes a quarterly draw schedule from its endowment investments that will satisfy the budget requirements. The investment manager manages the investments and associated income to provide cash in accordance with the amounts and timing of the draw schedule, including from time to time liquidating a portion of the invested assets as may be necessary. As part of the annual budget process, the board also approves separate budgets for programs and services that have their own funding sources or commitments. The Foundation maintains in a savings account any major ongoing donor-restricted contributions that it has received, along with a general reserve of \$250,000 to meet any unanticipated fluctuations in the budgeted outflows.

In May 2020, the Foundation entered into a line of credit agreement with its investment manager, Bessemer Trust that enhances short term liquidity options. The agreement is for up to \$3 million of borrowing capacity, collateralized by a pledge of securities held in Bessemer accounts. The pledged securities must have a minimum fair market value of 100% to 200% of the amount borrowed, depending on the type of security so pledged. The rate of interest applicable to the borrowed funds ranges from Prime Rate (for any amounts borrowed aggregating \$1 million or more) to Prime Rate plus 2.0% (for amounts borrowed aggregating less than \$100,000), but in no case shall the rate be less than 1.0%. Obtaining the line of credit allows the Foundation an alternative to liquidating investments to meet operational draw requirements during periods when such liquidations might otherwise be subject to inopportune market pricing. As of the date of this report, the Foundation has not drawn on this line of credit.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY (CONTINUED)

Empire Health Foundation (Continued)

The table below presents the Foundation's financial assets available for general expenditures within one year of December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 2,518,546	\$ 1,524,504
Accounts Receivable, Net	1,296,714	404,800
Pledges Receivable, Net	3,134,479	1,000,000
Investments	85,265,952	77,794,608
Notes and Loans Receivable	530,000	1,530,000
Beneficial Interest in Trusts	292,349	283,165
Total Financial Assets	<u>93,038,040</u>	<u>82,537,077</u>
Less: Amounts Not Available to Be Used		
Within One Year:		
Investments in Nonliquid Alternative Investments	(4,359,378)	(2,657,358)
Investments Held in Custodial Accounts	(625,049)	(633,535)
Investments Securing Charitable Remainder Trusts	(95,719)	(88,813)
Pledges Receivable With Donor Restrictions	(3,134,479)	(1,000,000)
Other Net Assets With Donor Restrictions	(1,491,201)	(1,454,855)
Mortgages Notes Reserved for Conversion	(530,000)	(530,000)
Deferred Revenue Related to Restricted Purposes	(393,521)	-
Financial Assets Unavailable for Use		
Within One Year	<u>(10,629,347)</u>	<u>(6,364,561)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 82,408,693</u>	<u>\$ 76,172,516</u>

Philanthropy Center LLC

PC LLC's primary source of liquidity is the rents it receives from the consolidated entities and other affiliates. Revenues from other sources are minimal. The established annual base lease rates are determined from an annual budget for cash expenses for PC LLC and are set at levels designed to cause the operation of PC LLC's building to break even on a cash flow basis, with no excessive accumulation of cash within the organization. PC LLC annually targets adding to a maintenance reserve for future major repairs or improvements of the building. The goal is to have cash on hand, after reduction for the maintenance reserve and current payables, sufficient to meet 30 days of average budgeted cash expenditures going forward.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY (CONTINUED)

Philanthropy Center LLC (Continued)

The table below presents PC LLC's assessment of its liquidity as described above at December 31:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 48,366	\$ 26,040
Less: Accounts Payable	(9,314)	(14,080)
Less: Targeted for Maintenance Reserve	<u>(11,248)</u>	<u>(3,248)</u>
Net Cash Available	<u>\$ 27,804</u>	<u>\$ 8,712</u>
30 Days Average Budgeted Cash Expenses	<u>\$ 18,247</u>	<u>\$ 13,185</u>
Percentage of Cash Target on Hand	152%	66%

At December 31, 2018, PC LLC's cash on hand was below the targeted level. When this occurs, there is a provision in the Foundation's lease with PC LLC to pay an additional variable rent amount equal to the amount of PC LLC's building operating expenses in excess of the aggregate monthly fixed base lease payments of the Foundation, FIN and other tenants, if any. Although PC LLC's cash was below the targeted level at December 31, 2019, it has since improved to be above the targeted levels as of August 2020. Consequently, the lease provision requiring payment of variable rent on the part of the Foundation was not invoked.

Philanthropy in Action

Throughout its existence, a primary source of PIA's funding has been grants from the Foundation and funds received from AHCRE. The funding from the Foundation has been generally purpose-restricted in support of the Foundation's strategic program initiatives. Consequently, these funds are committed only to the extent received and once the funds have been used there are no further commitments on the part of PIA. Funding for AHCRE is restricted for grant-making as determined by AHCRE's Governor-appointed board and said grant-making expenditures would not exceed the amount of AHCRE funds received for that purpose. Beginning in 2019, PIA began administering a \$5 million capital facilities grant fund to benefit rural hospitals in the state of Washington, but all such funding is purpose restricted pursuant to the terms of the governing agreement and related disbursements are subject to approval of the funder. This new funding source allows for an indirect cost allowance of 5%, or approximately \$60,000, per year over the four-year term of the grant fund. Aside from these restricted activities, the general expenditures of PIA have totaled approximately \$21,000 and \$9,000 annually for its years ended December 31, 2020 and 2019, respectively. Due to its anticipated change in tax status from public charity to private foundation in 2021, it is uncertain what, if any, external sources of funding PIA might access in the future.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY (CONTINUED)

Philanthropy in Action (Continued)

The table below presents PIA's financial assets available for general expenditures within one year of December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 641,081	\$ 718,003
Pledges Receivable, Net	185,200	-
Investments	<u>16,714,063</u>	<u>15,204,512</u>
Total Financial Assets	<u>17,540,344</u>	<u>15,922,515</u>
Less: Amounts Not Available to be Used		
Within One Year:		
Cash and Investments Held for Others	(16,885,333)	(15,521,068)
Deferred Revenue Related to Restricted Purposes	-	(28,257)
Net Assets Restricted for Foundation Programs	<u>(456,772)</u>	<u>(363,075)</u>
Financial Assets Unavailable for Use		
Within One Year:	<u>(17,342,105)</u>	<u>(15,912,400)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 198,239</u>	<u>\$ 10,115</u>

Sunset Health LLC

SSH's primary sources of funding are the net operating income from the leasing of real property and member contributions by the Foundation. With respect to the leasing operation, a portion of the property owned by SSH is leased to an unrelated nonprofit which sub-leases converted units of an aging motel property at nominal prices to residents of a sober living program. The nonprofit pays rents to SSH of \$2,000 monthly and the terms of the lease require the nonprofit to pay for all of the operating and maintenance costs of the leased property. The overall objective for the SSH real property assets is to construct and operate subsidized multi-family housing units. SSH is currently paying for all pre-development activity, including a rezoning effort, which is in an early stage and not anticipated to cost in excess of \$25,000 through the end of 2020. Sources of cash available to SSH for this pre-development effort are accumulated rents received or member contributions by the Foundation, as necessary. Once rezoning is complete, the Foundation and SSH will explore options to commence the construction phases in 2021 or later, including developing construction budgets, operating budgets, and financing mechanisms.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY (CONTINUED)

Sunset Health LLC (Continued)

The table below presents SSH's assessment of its liquidity as described above at December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 11,127	\$ 17,271
Accounts Receivable, Net	-	4,000
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 11,127</u>	<u>\$ 21,271</u>

Empire Health Community Advocacy Fund

EHCAF was formed late in 2019 and initially funded from settlement proceeds from the Foundation's lawsuit against CHS. Through the date of these financial statements, EHCAF remains in a start-up phase focused on fully developing its governance structure, its strategic advocacy and charitable initiatives and its investment policy to complement eventual operations. This phase is anticipated to persist throughout most of the 2020 calendar year and costs associated with this effort are anticipated to be modest. During the course of this start-up phase, EHCAF will hold its funds in highly liquid cash equivalent accounts.

The table below presents EHCAF's assessment of its liquidity as described above at December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 20,597,666	\$ 20,016,825
Net Assets with Donor Restrictions	(900,000)	-
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 19,697,666</u>	<u>\$ 20,016,825</u>

Family Impact Network

FIN strives to maintain available cash to meet 60 days of normal operating expenses, which were in 2020, on average, \$483,000 for 60 days. In 2019, normal operating expenses averaged \$325,000 for 60 days. FIN's primary source of cash is its contracts with DCYF. From time to time, FIN's cash balances include funds that are obligated to FIN's contractual providers, which balances are not available in support of FIN's normal operating expenses. In order to manage liquidity risks, FIN ensures that it invoices DCYF in a timely manner so that it will receive reimbursement as soon as possible. FIN management prepares cash projections for multiple future scenarios and reviews them with FIN's finance committee. Budget-to-actual financial statements are presented at finance committee meetings so that the committee is aware of any unfavorable, or potentially unfavorable, variances.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY (CONTINUED)

Family Impact Network (Continued)

FIN also has a \$500,000 line of credit with Banner Bank that it sometimes utilizes on a short-term basis if they have not received the pass-through payments from DCYF for providers, and those payments are due to providers.

The table below presents FIN's financial assets available to meet cash needs were calculated as:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 942,479	\$ 1,512,945
Accounts Receivable, Net	2,174,367	1,342,740
Grants Receivable	133,060	-
Total Financial Assets	<u>3,249,906</u>	<u>2,855,685</u>
Less: Amounts Not Available to Be Used		
Within One Year:		
Amounts Restricted for Provider Payments	(2,163,284)	(1,114,547)
Amounts Held for Other, Excluding Inventory	(135,457)	(265,336)
Net Assets with Donor Restrictions	<u>(494,357)</u>	<u>(25,000)</u>
Financial Assets Unavailable for Use		
Within One Year	<u>(2,793,098)</u>	<u>(1,404,883)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 456,808</u>	<u>\$ 1,450,802</u>

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 INVESTMENTS

Investments consisted of the following at December 31:

	2020	2019
Short-Term Money Market Investments	\$ 1,400,602	\$ 2,234,660
Equity Securities	15,720,873	12,713,413
Mutual Funds	41,553,734	39,626,749
U.S. Government Fixed Income Instruments	12,255,593	15,258,237
Fixed Income	9,255,004	4,443,068
Alternative Investments	4,359,378	2,657,358
Total	84,545,184	76,933,485
For Specific Purposes:		
For Benefit of Andy Hill Cancer Research Endowment:		
Short-Term Money Market Investments	13,218,937	10,510,880
For Benefit of Premera Rural Capital Facilities Fund:		
Short-Term Money Market Investments	3,495,126	4,693,632
For Net Assets with Donor Restrictions:		
Mutual Funds	-	138,775
Charitable Gift Annuity and Split-Interest Trusts:		
Short-Term Money Market Investments	998	850
Equity Securities	20,766	18,432
Mutual Funds	49,037	48,253
U.S. Government Obligations	14,764	16,240
Other Fixed Income Instruments	10,154	5,038
Workers' Compensation Self-Insurance Funds:		
Short-Term Money Market Investments	625,049	633,535
Total	17,434,831	16,065,635
Total Investments	\$ 101,980,015	\$ 92,999,120

NOTE 4 COMMITMENTS AND CONTINGENCIES

Related to the sale of EHS, the Foundation assumed certain liabilities as of October 1, 2008. The following are summaries of those commitments and contingencies as of December 31, 2020 and 2019:

Litigation

Pursuant to the sale documents that created the Foundation, those professional malpractice and general liability claims arising during the course of EHS's operations through September 30, 2008 are the Foundation's responsibility. The Foundation has obtained insurance that will provide a measure of protection in the event of future professional malpractice claims.

In June of 2017, the Foundation filed a lawsuit against CHS in the United States District Court for the Eastern District of Washington to enforce certain terms and conditions contained in the 2008 agreement governing the sale of EHS to CHS. In connection with this suit, on September 26, 2019, the parties executed an Agreement to Settle Claims. The financial terms of the settlement reimbursed \$2 million of expended legal fees to the

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation (Continued)

Foundation, the receipt of which is recorded in other income within the 2019 consolidated financial statements. Through December 31, 2019, the Foundation recorded, within other trailing business litigation, approximately \$2.5 million of legal fees and related costs in connection with this suit. In addition, the settlement also resulted in a payment of \$20 million which was paid to EHCAF. This amount is also recorded in other income within the 2019 consolidated financial statements.

The Organizations are a party to certain assertions and legal actions arising in the normal course of operations. Based on consultation with counsel and an evaluation of such matters, management is of the opinion that such matters are adequately covered by insurance and settlements of such matters will not have a material adverse effect upon the financial position of the Organizations.

Workers' Compensation

Self-insured workers' compensation liabilities, including claims incurred but not reported, that existed at EHS as of the last day of operations on September 30, 2008, are the Foundation's responsibility. The Foundation is likewise self-insured for these liabilities. The Washington State Department of Labor and Industries (the Department) annually determines the amount to be maintained in escrow in order to meet self-insurance minimum requirements. At December 31, 2020 and 2019, the balances of \$625,049 and \$633,535, respectively, were considered by the Department to be adequate. In 2021, the Department advised the Foundation that \$755,000 is the minimum allowable surety requirement until such time as the Foundation experiences 10 consecutive years without claims costs. Net claims costs incurred were \$18,872 and \$62,020 for the years ended December 31, 2020 and 2019, respectively.

Management estimates the workers' compensation liability based on losses expected to be incurred on known and incurred but not yet reported claims. The estimated workers' compensation self-insurance liability included in the consolidated statements of financial position was \$83,000 and \$82,000 at December 31, 2020 and 2019, respectively. Claims are paid when they occur and charged against the estimated liability. The Foundation pays for actual injury claims, maintenance of reserves, administrative expenses, and excess insurance premiums. No new claims were reported in 2020 or through July 22, 2021.

Medicare/Medicaid Cost Reports

The Foundation is potentially and indefinitely obligated for amounts due under Medicare and Medicaid cost reimbursement programs related to former EHS operations through September 30, 2008. The filed cost reports are subject to retroactive settlement. Provision for the effects of these retroactive settlements are estimated and recorded in the consolidated statements of financial position, and later adjusted in the years in which these settlements occur. The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimates will change by a material amount. Medicare cost reports through September 30, 2008, have been audited, tentatively settled, or settled through the date of this report.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Medicare/Medicaid Cost Reports (Continued)

In 2019, management evaluated the potential for future cost report settlement obligations and determined, based on the nature and age of its previously recorded obligations and the lack of any recent collection activity by the U.S. Centers for Medicare & Medicaid Services (CMS), that the likelihood of future CMS collection activity is remote. Consequently, for the year ended December 31, 2019, the Foundation eliminated all of its previously accrued estimated liability of \$3,118,000 and recorded a corresponding benefit in the consolidated statement of activities.

The Foundation, through a recovery specialist, from time to time pursues legal appeals and administrative re-openings for cost report years prior to October 1, 2008 that are intended to result in additional recoveries of amounts at issue in previously settled cost reports. Because the success of such efforts is difficult to predict, the Foundation recognizes the revenue from recoveries only when it receives verification that the cost reports have been adjusted in its favor. The recovery specialist is compensated at various percentages of the amounts recovered, depending on the complexity of the issue. Ongoing cost report recovery efforts in the years ended December 31, 2020 and 2019, resulted in no income recognized or associated costs incurred. Subsequently, in 2021, approximately \$60,000 was recovered net of the recovery specialist's charge.

Funding Commitments

In November 2013, the Foundation assisted in the formation of Spokane Teaching Health Center (STHC), a Washington State nonprofit corporation. STHC was formed to facilitate a collaboration between the Foundation, Providence Health & Services (PH&S), and Washington State University (WSU) to expand Graduate Medical Education (GME) in Spokane. In connection with the expansion, STHC has been awarded federal grant funds through the Health Resource and Services Administration (HRSA) to support additional family and internal medicine residents. Commitments on the part of STHC to 18 HRSA-funded GME residents have been formally extended for academic years commencing with 2018/2019 and ending in 2023/2024. The Foundation and PH&S are each members of STHC and WSU has similar member-like rights, but no single organization has a controlling interest in STHC pursuant to its governing documents. The Foundation has recorded no financial interest in connection with its membership in STHC within these consolidated financial statements.

Three of the four parties to the collaboration, including the Foundation and STHC, have executed an Affiliation Agreement for Graduate Medical Education Consortium (Affiliation Agreement). The Affiliation Agreement succeeded earlier agreements and became effective January 1, 2019, and the initial term of the contract expires on June 30, 2026. The Affiliation Agreement then automatically renews for an additional five-year term ending on June 30, 2031 unless it is terminated sooner in accordance with the contract. If for any reason over the term of the Affiliation Agreement, STHC lacks the financial resources to meet its obligation to provide training for residents and pay operating expenses, the parties will, in good faith, work collaboratively to identify and secure other sources of funds as necessary for STHC to fulfill its commitments.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Funding Commitments (Continued)

This collaborative effort shall include STHC seeking grants from the Foundation, and the STHC Board taking proactive steps to secure other sources of financial support as necessary to sustain the residency programs. With regard to any such grants, the Foundation committed to using its best efforts to make available up to \$2,000,000 to STHC over the term of the Affiliation Agreement, if necessary, subject to the approval of Foundation's executive leadership and governing board. As of the date of these consolidated financial statements, the Foundation has not been requested to fund any of this contingent obligation.

Contingent Guarantees

In July 2019, the Foundation became a majority member of EHF JAM MM LLC, a limited liability company, which in turn is the managing member of J AULD APTS LLC, a limited liability company. J AULD APTS LLC was formed for the purpose of constructing and operating a tax credit subsidized rental housing project. The project consists of 48 units placed in service in October 2020 and located in Spokane, Washington. The completed cost of the project is approximately \$10.6 million. As a condition of its sponsorship of the project, the Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC (see Note 9). In addition, the Foundation, as sponsor/developer for the project, financially guaranteed the completion of the construction, and now provides a continuing financial guaranty of any operating deficits. Through the date of these financial statements, construction is complete, the project is fully leased and operations are proceeding according to budget. Consequently, the Foundation has not had to provide any funding pursuant to its guarantees.

NOTE 5 NETS ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2020	2019
Net Assets With Restrictions to be Released Over Time:		
Scholarships and Education	\$ 156,925	\$ 277,155
Population Health Initiatives	5,819,326	1,856,559
Research	64,301	64,301
	6,040,552	2,198,015
Net Assets With Donor Restrictions:		
Education	292,349	283,165
Total	\$ 6,332,901	\$ 2,481,180

\$292,349 and \$283,165 of the amount restricted for education at December 31, 2020 and 2019, respectively, consist of beneficial interests in perpetual trusts valued at the fair market value of the underlying trust assets. While the corpus of the trusts' assets is not available for the Foundation's use, trust distributions are available but restricted as to purpose.

**EMPIRE HEALTH FOUNDATION
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DECEMBER 31, 2020 AND 2019**

NOTE 6 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at December 31, 2020 and 2019.

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Short-Term Money Market Investments, Currencies, U.S. Government Obligations, Equity Securities, Fixed Income Instruments, and Mutual Funds: Valued at the quoted market prices available on the active market on which the individual securities are traded.

Equities and Other Fixed Income Instruments: Valued at quoted market prices and other information available at the valuation date.

**EMPIRE HEALTH FOUNDATION
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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Beneficial Interest in Perpetual Trusts: Valued at fair value based on unadjusted quoted market prices of the underlying investments.

Alternative Investments: Valued based on information received from underlying investment funds/managers adjusted for subsequent capital contributions (valued at cost), distributions, and fund accruals.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables disclose by level, within the fair value hierarchy, the Foundation's assets measured at fair value at December 31:

	2020			
	Level 1	Level 2	Level 3	Total
Short-Term Money Market	\$ 18,740,712	\$ -	\$ -	\$ 18,740,712
Government and Agency Obligations:				-
U.S. Treasury Obligations	-	12,270,357	-	12,270,357
Corporation Obligations	-	8,566,011	-	8,566,011
International Obligations	-	699,147	-	699,147
Mutual Funds:				-
Blend	38,056,642	-	-	38,056,642
Value	151,100	-	-	151,100
Allocation	3,395,029	-	-	3,395,029
Common Stock:				-
U.S. Large Cap	11,751,052	-	-	11,751,052
International Large Cap	953,512	-	-	953,512
U.S. Medium and Small Cap	2,599,910	-	-	2,599,910
International Medium and Small Cap	437,165	-	-	437,165
Beneficial Interest in Trusts	-	-	292,349	292,349
Total Investments at Fair Value	<u>\$ 76,085,122</u>	<u>\$ 21,535,515</u>	<u>\$ 292,349</u>	97,912,986
Investments Measured at NAV:				
Private Equity				4,026,041
Real Assets				233,337
Total Investments Measured at NAV				<u>4,259,378</u>
Investments Measured at Cost				100,000
Total Investments				<u>\$ 102,272,364</u>

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

	2019			Total
	Level 1	Level 2	Level 3	
Short-Term Money Market	\$ 18,073,557	\$ -	\$ -	\$ 18,073,557
Government and Agency Obligations:				
U.S. Treasury Obligations	-	15,274,477	-	15,274,477
Corporation Obligations	-	3,814,709	-	3,814,709
International Obligations	-	633,397	-	633,397
Mutual Funds:				
Blend	32,451,032	-	-	32,451,032
Value	7,362,745	-	-	7,362,745
Common Stock:				
U.S. Large Cap	10,678,971	-	-	10,678,971
International Large Cap	656,854	-	-	656,854
U.S. Medium and Small Cap	1,145,043	-	-	1,145,043
International Medium and Small Cap	250,977	-	-	250,977
Beneficial Interest in Trusts	-	-	283,165	283,165
Total Investments at Fair Value	<u>\$ 70,619,179</u>	<u>\$ 19,722,583</u>	<u>\$ 283,165</u>	90,624,927
Investments Measured at NAV:				
Private Equity				2,299,480
Real Assets				257,878
Total Investments Measured at NAV				<u>2,557,358</u>
Investments Measured at Cost				100,000
Total Investments				<u>\$ 93,282,285</u>

No financial assets were transferred between Levels 1 and 2 during the years ended December 31, 2020 and 2019. No impairment losses were recorded on Level 3 assets in 2020 or 2019.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Plan's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2020	2019		
Beneficial Interest In Trust	\$ 292,349	\$ 283,165	FMV of Trust Investments	Time Period of Trust

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation had the following investments in and commitments to alternative investment funds at December 31, 2020:

	<u>NAV</u>		Unfunded Commitments	Redemption Schedule	Redemption Notice Period
	2020	2019			
Private Equity	\$ 4,026,041	\$ 2,299,480	\$ 1,020,122	Quarterly	95 days
Real Assets	233,337	257,878	156,276	Quarterly	95 days
Total	<u>\$ 4,259,378</u>	<u>\$ 2,557,358</u>	<u>\$ 1,176,398</u>		

No impairment losses were recorded on alternative investments in 2020 or 2019.

NOTE 7 CHARITABLE REMAINDER TRUSTS

The Foundation administers a single charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime).

At the end of the trust's term, the remaining assets become available for the Foundation's use, or may be shared between the Foundation and another designated beneficiary. The Foundation's charitable remainder trust was assumed through an asset transfer agreement with Deaconess & Valley Healthcare Foundation (DVHF) in 2009. The Foundation is not otherwise approved to solicit new charitable remainder trusts or charitable gift annuities.

Assets held in connection with the charitable remainder trust totaled \$95,719 and \$88,813 at December 31, 2020 and 2019, respectively, and are reported at fair market value as part of investments in the Foundation's consolidated statements of financial position (see Note 3). On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The amount of the charitable remainder trust liability was \$48,492 and 43,227 at each of December 31, 2020 and 2019, respectively.

NOTE 8 LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 319,712	\$ 319,712
Land Development	130,686	115,052
Buildings and Improvements	3,526,789	3,526,789
Furniture and Fixtures	698,114	628,494
Total	<u>4,675,301</u>	<u>4,590,047</u>
Less: Accumulated Depreciation	<u>(1,508,929)</u>	<u>(1,295,330)</u>
Balance – End of Year	<u>\$ 3,166,372</u>	<u>\$ 3,294,717</u>

**EMPIRE HEALTH FOUNDATION
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DECEMBER 31, 2020 AND 2019**

NOTE 8 LAND, BUILDING, AND EQUIPMENT (CONTINUED)

Land designated as “Development” consists of undeveloped real property in Spokane, Washington, held by SSH. These parcels are in the process of a rezoning effort intended to allow for construction of permanent affordable multi-family housing units. In addition to the original acquisition cost of the parcels, the costs associated with the rezoning effort have been capitalized.

NOTE 9 NOTES AND LOANS RECEIVABLE

The Foundation had the following mortgage loans receivable as of December 31:

	<u>2020</u>	<u>2019</u>
Catholic Housing Services E WA, 3.6%, Maturing 2020	\$ -	\$ 1,000,000
J AULD APTS LLC, 2.0%, Maturing 2049, Subordinated	530,000	530,000
Total	<u>\$ 530,000</u>	<u>\$ 1,530,000</u>

In May of 2016, the Foundation and Catholic Charities Spokane executed a Memorandum of Understanding (MOU) outlining a collaborative effort to design and launch a family centered treatment program in Spokane to be connected eventually to a tiered approach to permanent affordable housing. The MOU sets forth an understanding of the design elements necessary and establishes the roles and responsibilities of each party.

Related to the MOU, the Foundation’s board approved the making of a loan to Catholic Housing Services of Eastern Washington (an affiliate of Catholic Charities Spokane) to assist with the acquisition of certain real property in Spokane to be used to establish the permanent affordable housing and other connected programs. On September 27, 2016, the Foundation made a three-year mortgage loan in the amount of \$1.6 million, with the full principal balance due at maturity in December 2019. The original loan amount was secured by various parcels of real property with a combined appraised value of \$4.2 million. In September of 2017, the borrower exercised its option to prepay \$600,000 of the mortgage note and the Foundation released one real property collateral parcel having a 2016 appraised value of \$656,000. The remaining loan principal and all related accrued interest was collected in full in January 2020.

Pursuant to its sponsorship and development of an affordable housing project, the Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC in 2019. The loan matures in 30 years, although it could be repaid earlier in the event of refinancing or other restructuring of the project. Accrued interest on this loan of \$14,230 and \$3,601 is included in other assets at December 31, 2020 and 2019, respectively.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 RETIREMENT PLAN

Effective January 1, 2010, the Foundation established a 401(k) retirement plan, which covers substantially all employees. Participating employees receive an annual matching contribution of 100% of employee deferrals up to 6% of the employee's compensation. Expenses relating to the Foundation's plan, including employer contributions, for the years ended December 31, 2020 and 2019 were \$159,814 and \$145,191, respectively. Effective January 1, 2015, FIN established its own 401(k) retirement plan with terms substantially the same as that of the Foundation. Expenses relating to FIN's plan, including employer contributions, for the years ended December 31, 2020 and 2019 were \$55,759 and \$37,569, respectively. Neither plan is currently subject to independent audit requirements at the present time.

NOTE 11 LEASES

Beginning January 1, 2016, the Foundation and FIN each entered into separate, annually renewable one-year operating leases for office space with PC LLC, each now extending through December 31, 2021. It is anticipated that each entity will renew or extend its lease annually, although it is possible that either may find it necessary to relocate in the future depending on business requirements. The terms under which leases may renew beyond 2021 have not been established. Rent expense paid to PC LLC in 2020 was \$123,965 and \$31,140 by the Foundation and FIN, respectively. Rent expense paid to PC LLC in 2019 was \$116,367 and \$27,515 by the Foundation and FIN, respectively.

The Foundation's 2021 lease with PC LLC requires monthly fixed base lease payments of \$15,587. The Foundation is also contingently obligated for a variable rent amount equal to the amount of PC LLC's building operating expenses in excess of the aggregate monthly fixed lease payments of the Foundation, FIN and other tenants, if any. FIN's 2021 lease with PC LLC requires monthly fixed lease payments of \$2,660. Future minimum lease payments under the leases with PC LLC are:

<u>Year Ending December 31, 2020</u>	<u>Amount</u>
Empire Health Foundation	\$ 187,042
Family Impact Network	31,920
Total	<u>\$ 218,962</u>

During 2017, the Foundation entered into operating leases for an automobile, copiers, and technological equipment. The terms of the leases ranged from 24 months to 60 months. The Foundation paid \$10,649 and \$19,678 for these leases in 2020 and 2019, respectively. As of December 31, 2020, only the copiers lease remains in effect.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 LEASES (CONTINUED)

Future minimum lease payments under these leases are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 8,779
2022	5,121
Total	<u>\$ 13,900</u>

FIN renewed its lease with Philanthropy Center (PC) on January 1, 2020 for the period of January through December 31, 2020. Contractual lease payments under the lease with PC for 2020 and 2019 totaled \$31,140 and \$27,515, respectively.

Effective July 1, 2016, FIN leased additional space from an unrelated party for storage of its concrete goods inventory. Rent costs on this space were \$24,000 for each of the years ended December 31, 2020 and 2019. Beginning September 16, 2016, this lease converted to a month-to-month status, with a monthly lease payment of \$2,000 per month. December of 2020 was the last month that FIN rented this space due to the fact that FIN will no longer have a concrete goods contract with DCYF after December 31, 2020. Therefore, FIN will no longer have any significant inventory.

In March of 2020, FIN entered into a lease agreement with The Barbieri Family Foundation to lease office space for FIN's new behavioral health program. This office space is located at the Empire State Building on Riverside Avenue in Spokane, Washington.

Future minimum lease payments pursuant to FIN's leases with unrelated parties are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 38,093
2022	39,187
2023	17,347
Total Future Lease Commitments	<u>\$ 94,627</u>

NOTE 12 RELATED PARTY TRANSACTIONS

The Foundation has membership interests in each of PC LLC, Better Health Together (BHT), FIN, PIA, SSH, EHCAF, JAM MM LLC, J AULD APTS, LLC, and STHC. Regardless of whether it exercises a controlling financial interest in these entities, the Foundation considers financial activity between it and these entities to be related party transactions. Financial transactions between the entities are generally governed by written contracts, including specific grant agreements. The Foundation provides administrative and program services to BHT, FIN, and STHC pursuant to employee lease agreements and administrative services agreements. The types and extent of services provided vary based on the structures and needs of the recipient entities, but generally consist of executive leadership, financial administration, human resources services government relations and communications support. In addition, PC LLC leases most of its premises to the Foundation and FIN.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

In 2020 and 2019, the following related party transactions occurred:

The Foundation paid base rent to PC LLC of \$123,965 and \$116,367 for the years ended December 31, 2020 and 2019, respectively. The Foundation made a member contribution to PC, LLC of \$4,500 during the year ended December 31, 2019. FIN paid rent to PC LLC of \$31,140 and \$27,515 for each of the years ended December 31, 2020 and 2019, respectively. Prior to terminating its lease agreement with PC LLC effective May 2019, BHT paid rent to PC LLC of \$29,750 for the year ended 2019.

The Foundation made grants to BHT of \$2,500 in the year ended December 31, 2019. BHT paid the Foundation \$23,756 and \$326,299 pursuant to employee lease and administrative services agreements for the years ended December 31, 2020 and 2019, respectively. BHT terminated its employee lease and administrative services agreements with the Foundation, other than for government relations services, effective January 1, 2020. The Foundation also reimbursed expenses to BHT of \$531 and \$1,500 in the years ended December 31, 2020 and 2019, respectively.

The Foundation made grants to FIN of \$91,500 in the year ended December 31, 2019. Additionally, PIA made grants to FIN of \$15,000 in the year ended December 31, 2019. FIN paid the Foundation \$461,301 and \$449,841 pursuant to employee lease and administrative services agreements, account software and some consulting costs for the years ended December 31, 2020 and 2019, respectively. The Foundation reimbursed expenses to FIN of \$27,253 in the year ended December 31, 2019. A \$500,000 loan made by the Foundation in 2018 to FIN was repaid in full and in accordance with its terms in January 2019.

The Foundation made grants to PIA of \$185,200 and \$357,804 in the years ended December 31, 2020 and 2019, respectively. These grants were principally restricted for use in support of the Foundation's strategic program efforts in the year following the grants. PIA paid the Foundation \$90,372 pursuant to an administrative services agreement during the year ended December 31, 2020. PIA reimbursed expenses to the Foundation of \$9,107 in the year ended December 31, 2019.

The Foundation paid SSH \$430,243 for member contributions in the year ended December 31, 2019.

EHCAF paid the Foundation \$36,998 for shared employee costs for the year ended December 31, 2020. EHCAF reimbursed expenses to the Foundation of \$1,124 and \$175 for the years ended December 31, 2020 and 2019, respectively.

STHC paid the Foundation \$403,019 and \$253,700 pursuant to employee lease and administrative services agreements for the years ended December 31, 2020 and 2019, respectively. STHC terminated all such agreements with the Foundation effective December 31, 2020.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC during the year ended December 31, 2019. The Foundation earned \$10,629 and \$3,601 of related interest income during the years ended December 31, 2020 and 2019, respectively. In addition, the Foundation earned \$663,926 and \$36,074 in developer fees from the J AULD APTS project for each of the years ended December 31, 2020 and 2019, respectively. As designated agent, EHF received and passed through lending draws from the Washington Department of Commerce to J AULD APTS LLC of \$1,541,623 and \$604,485 during the years ended December 31, 2020 and 2019, respectively.

NOTE 13 PLEDGES RECEIVABLE

In 2017, the Foundation was the recipient of a \$3.5 million purpose-restricted unconditional contribution receivable over three years in support of the Foundation's Aging Services Program. The third and final \$800,000 installment of this grant was received in 2019. The Aging Services Program grant was then unconditionally renewed for an additional \$4 million beginning in 2020, with three annual installments due in 2020 through 2022. The first installment of \$1.25 million for the renewed grant was received in 2020. In 2018, the Foundation was the recipient of a \$2.0 million purpose-restricted unconditional contribution payable over three years in support of the Foundation's Family Preservation Program. The second \$600,000 installment for this grant was received in 2020, with the final \$400,000 installment received in 2021. Each of these grants was from the same donor. The Foundation has assessed these commitments as fully collectible as due per the terms of the underlying grant agreements. The remaining uncollected amounts are recorded at fair market value as follows for the years ended December 31:

	2020	2019
Due in 2020	\$ -	\$ 1,000,000
Due in 2021	1,650,000	-
Due in 2022	1,500,000	-
Face Value	<u>3,150,000</u>	<u>1,000,000</u>
Unamortized Discount at Effective Interest Rate	(15,521)	-
Fair Market Value	<u>\$ 3,134,479</u>	<u>\$ 1,000,000</u>

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 GRANTS PAYABLE

In 2017, the Foundation entered into a five-year support commitment for Catholic Charities Spokane's Rising Strong Regional Partnership: Family Centered Treatment with Housing Program (Rising Strong). The commitment was conditioned upon Catholic Charities receiving a grant from the federal Department of Health & Human Services, which was awarded in 2017. The Foundation's maximum total commitment was for \$535,000, payable in equal annual installments of \$107,000, of which the installments due in each of the years 2017 through 2020 have been paid. The final installment due in 2021 has also been paid.

In 2019, the Foundation made an unconditional one-time grant commitment in support of its Workforce Development Program in the amount \$250,000, which was paid in 2020. In 2020, EHF and PIA made one-time unconditional grant commitments of \$151,500 and \$118,060, respectively, in support of capacity building efforts at various nonprofit organizations. These 2020 commitments were subsequently paid in 2021.

The Foundation has recorded its outstanding contractual grant obligations at fair market value as follows for the years ended December 31:

	2020	2019
Due in 2020	\$ -	\$ 357,000
Due in 2021	386,746	107,000
Face Value	386,746	464,000
Unamortized Discount at Effective Interest Rate	-	(5,252)
Fair Market Value	\$ 386,746	\$ 458,748

NOTE 15 DEFERRED REVENUE AND FUNDS HELD FOR OTHERS

Following is a summary by entity of deferred revenue and funds held for others:

	Deferred Revenue		Funds Held for Others	
	2020	2019	2020	2019
Family Impact Network	\$ -	\$ 310,303	\$ 135,457	\$ 295,167
Empire Health Foundation	393,521	-	-	-
Philanthropy In Action	-	28,257	16,885,333	15,521,068
Total	\$ 393,521	\$ 338,560	\$ 17,020,790	\$ 15,816,235

In 2016, FIN entered into a \$500,000 contract with CA, now known as DCYF, to acquire, administer, and distribute an inventory of child safety and well-being products (Concrete Goods) to families served by CA's Family Assessment and Response Program. In 2017, the contract was expanded to include any unexpended funds from the prior year plus an additional \$550,000, as well as to expand the population of families served across five other programs administered through CA. Concrete Goods funds were received by FIN in advance at the outset of each contract year with the exception of \$85,000 of additional funds received in December of 2018 due to a contract amendment. In this case, purchases were made before the funds were received. The contract requires the return of any unexpended funds or inventory to CA in the event the contract is terminated by either party.

**EMPIRE HEALTH FOUNDATION
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NOTE 15 DEFERRED REVENUE AND FUNDS HELD FOR OTHERS (CONTINUED)

To the extent that Concrete Goods funds received represent payment for the estimated costs associated with FIN's administration of the Concrete Goods inventory, a deferred revenue liability is recognized. The deferred revenue is recognized over the life of the contract as the administrative activities occur. To the extent that the Concrete Goods funds received represent the estimated acquisition costs of the inventory itself, a liability for funds held for others is recognized. The liability for the funds held for others is relieved upon FIN's distribution of the acquired inventory to the families served.

The following is a summary of the activity for each element of FIN's Concrete Goods contract:

	Funds Held for Others	Deferred Revenue
Balance - December 31, 2018	\$ 6,590	\$ -
Concrete Goods Contract Funds Received	838,844	593,417
Less Revenue Earned or Funds Relieved	<u>(550,267)</u>	<u>(283,114)</u>
Balance - December 31, 2019	295,167	310,303
Concrete Goods Contract Funds Received	499,639	7,887
Less Revenue Earned or Funds Relieved	<u>(659,349)</u>	<u>(318,190)</u>
Balance - December 31, 2020	<u>\$ 135,457</u>	<u>\$ -</u>

In 2017, the Foundation entered into a contract with the Washington State Department of Commerce (COM) to be the Program Administrator for the Andy Hill Cancer Research Endowment fund (AHCRC or the Fund). AHCRC is a legislatively created and funded effort on the part of the state of Washington to achieve sustainable investment in cancer research, prevention and care. The fund itself, including the selection and awarding of grants, is overseen by a Governor-appointed board which is separate and apart from the board of the Foundation. As the Program Administrator, the Foundation assists the AHCRC board by providing financial and accounting management for the fund and its investments; facilitating the process of grant application, external peer review, selection, notification and performance monitoring; and distributing grant funds pursuant to and ensuring compliance with grant agreements. Pursuant to this contract, the Foundation recorded revenue, within Program Revenue, of \$781,479 and \$550,000 for the years ended December 31, 2020 and 2019, respectively. In connection with this contract, the Foundation incurred expenses of \$731,285 and \$413,388 for the years ended December 31, 2020 and 2019, respectively. The contract is a one-year performance-based state contract considered for renewal or reapplication in conjunction with the state's fiscal year running from July 1 through June 30. The contract was most recently renewed to extend through June 30, 2021 at an annual contract value of \$1,851,750, consisting of \$750,000 for the general Program Administrator fee, \$101,750 to pay for a performance audit and an additional \$1,000,000 to provide for COVID-related external consulting (with this element of the contract further accounted for on a deferred revenue basis). For the upcoming state fiscal year beginning July 1, 2021, COM released a request for proposal seeking competitive responses from applicants interested in the Program Administrator role.

**EMPIRE HEALTH FOUNDATION
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NOTE 15 DEFERRED REVENUE AND FUNDS HELD FOR OTHERS (CONTINUED)

The Foundation evaluated its historic role as Program Administrator and, in view of its current mission and focus, elected not to submit a response to COM's proposal. Consequently, the Foundation's role as Program Administrator ended on June 30, 2021 with all unearned deferred revenue returned to a COM-administered account.

In its capacity as Program Administrator, the Foundation designated PIA as the entity that holds and invests AHCRC funds as an authorized local account for the purpose of grantmaking. Pursuant to the contract, these funds are not considered to be funds belonging to PIA over which PIA or the Foundation has discretion. Consequently, these funds are reported in the consolidated statements of financial position as a liability for Funds Held for Others. Given that EHF is no longer Program Administrator after June 30, 2021, unexpended grantmaking funds held at PIA were transferred in June 2021 to external accounts in accordance with COM's instructions.

In June 2019, PIA entered into an agreement with Premera Blue Cross (Premera) to administer a \$5 million grant fund over four years. The purpose of the grant fund is to make awards funding short-term capital projects to hospitals, community health centers, tribal clinics and hospitals and outpatient clinics, each in rural areas within Washington State. Premera retains ultimate authority to determine the grantees and grant award amounts, resulting in an agency relationship with PIA. Pursuant to the agreement, PIA can be reimbursed for up to \$353,250 of direct costs and \$238,000 of indirect costs over the four-year term of the agreement, with the remainder of the proceeds purposed for re-granting. In August 2019, PIA received all \$5 million in a single payment from Premera, which was recorded as a liability for Funds Held for Others.

Following is a summary of the activity of the PIA Funds Held for Others for the years ended December 31:

	Funds Held AHCRC	Funds Held Premera	Funds Held Total
Balance - December 31, 2018	\$ 10,556,327	\$ -	\$ 10,556,327
Private Funds Received	-	5,000,000	5,000,000
Investment Income, Net of Expenses	185,478	10,188	195,666
Grants Disbursed on Behalf of the Funders	(230,925)	-	(230,925)
Balance - December 31, 2019	10,510,880	5,010,188	15,521,068
State Funds Received	4,950,000	-	4,950,000
Private Funds Received	15,000	-	15,000
Investment Income, Net of Expenses	21,333	2,974	24,307
Direct Costs Incurred	-	(97,840)	(97,840)
Indirect Costs Allowed	-	(59,525)	(59,525)
Grants Disbursed on Behalf of the Funders	(2,263,270)	(1,204,407)	(3,467,677)
Balance - December 31, 2020	<u>\$ 13,233,943</u>	<u>\$ 3,651,390</u>	<u>\$ 16,885,333</u>

PIA received in cash a \$50,000 grant in 2019 containing provisions making the award conditional. Consequently, PIA recorded the receipt of these funds as deferred revenue. During the years ended December 31, 2020 and 2019, PIA incurred costs of \$28,257 and \$21,743, respectively, in connection with this grant and like amounts were recorded as earned and released from the deferred revenue liability in each of those years.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 16 MATTERS RELATING TO COVID PANDEMIC

In 2020, the world experienced severe human and economic impacts from the novel coronavirus (COVID19) pandemic. These impacts included disruption of revenue sources, supply chains, employment and capital markets, as well as elevated mortality/morbidity and altered lifestyles for most world populations. Many of these impacts continued globally into 2021. Operational impacts to date to the entities represented in these consolidated financial statements have principally been limited to the adoption of work-at-home protocols and some minor additional related costs to accommodate staff. While some staff are now returning to the workplace on a limited basis in accordance with guidelines issued by federal, state and local health authorities, many staff continue to work from home. The Foundation did experience net unrealized losses in its investment portfolio early in the pandemic, but the portfolio recovered to produce positive returns overall for 2020. While tenant rents at PC LLC continued uninterrupted, the entity did experience minor revenue loss due to the facility being unavailable for lease to others for events.

On May 8, 2020, EHF received a loan from Banner Bank in the amount of \$559,359 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from May 8, 2020 to October 23, 2020 is the time that a business has to spend their PPP Loan funds. After evaluating subsequent emerging guidance for this lending program, the Foundation immediately repaid \$375,000, leaving approximately \$184,000 outstanding on December 31, 2020. In 2021, the Foundation applied for and received loan forgiveness covering this balance and an additional \$216,000 of previously repaid principal.

On May 12, 2020, FIN received a loan from Banner Bank in the amount of \$217,020 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from 5/12/20 to 10/26/20 is the time that a business has to spend their PPP Loan funds.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 16 MATTERS RELATED TO COVID PANDEMIC (CONTINUED)

Maturities of the PPP Loans for future years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 165,666
2022	236,900
Total	<u>\$ 402,566</u>

The Foundation, in keeping with its mission, contributed in 2020 \$220,000 to a local COVID-19 emergency relief fund, of which \$100,000 was from its own resources and \$120,000 approved through resources provided by external funding partners. In addition, the Foundation incurred approximately \$14,000 of costs in 2020 attributable to COVID19, principally for assisting staff with setting up in-home office spaces.

As a result of the COVID-19 disruptions, the state of Washington has projected significant revenue shortfalls for the next three fiscal years and the Governor directed State agencies to propose budget reductions of 15%. These State budget cuts, if implemented, could impact the revenues available under FIN's contract with DCYF, both for the portion of funding available to FIN in its Network Administrator role, as well as to funding available to external providers in the network. At the date of this report, it is uncertain exactly what cuts the State's agencies may make or whether such cuts will require material changes in FIN's DCYF contract and, hence, to FIN's operations. Other than FIN, revenue sources otherwise available to the consolidated entities have not been, nor are expected to be, disrupted.

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Empire Health Foundation	Philanthropy Center, LLC	Philanthropy In Action	Sunset Health, LLC	Empire Health Community Advocacy Fund	Family Impact Network	Eliminations	Consolidated Totals
Cash and Cash Equivalents	\$ 2,518,546	\$ 48,366	\$ 641,081	\$ 11,127	\$ 20,597,666	\$ 942,479	\$ -	\$ 24,759,265
Accounts Receivable, Net	1,296,714	-	-	-	-	2,174,367	(72,788)	3,398,293
Pledges Receivable, Net	3,134,479	-	185,200	-	-	-	(185,200)	3,134,479
Grants Receivable	-	-	-	-	-	133,060	-	133,060
Investments	85,265,952	-	16,714,063	-	-	-	-	101,980,015
Notes and Loans Receivable	530,000	-	-	-	-	-	-	530,000
Beneficial Interest in Trusts	292,349	-	-	-	-	-	-	292,349
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	106,072	2,653,885	-	398,561	-	7,854	-	3,166,372
Prepaid Expense	599,522	-	1,086	2,502	334	91,308	-	694,752
Other Assets	4,205,338	-	-	-	-	-	(4,061,743)	143,595
Total Assets	\$ 97,948,972	\$ 2,702,251	\$ 17,541,430	\$ 412,190	\$ 20,598,000	\$ 3,349,068	\$ (4,319,731)	\$ 138,232,180
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable	\$ 218,748	\$ 9,314	\$ 39,454	\$ 450	\$ 6,118	\$ 1,862,540	\$ (72,788)	\$ 2,063,836
Annuities Payable	48,492	-	-	-	-	-	-	48,492
Accrued Salaries, Wages, and Employee Benefits	111,648	-	-	-	-	55,154	-	166,802
Grants and Pledges Payable	443,700	-	118,060	-	-	10,186	(185,200)	386,746
Debt Payable	185,546	-	-	-	-	217,020	-	402,566
Deferred Revenue	393,521	-	-	-	-	-	-	393,521
Funds Held for Others	-	-	16,885,333	-	-	135,457	-	17,020,790
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	83,000	-	-	-	-	-	-	83,000
Total Liabilities	1,484,655	9,314	17,042,847	450	6,118	2,280,357	(257,988)	20,565,753
NET ASSETS								
Without Donor Restrictions	91,838,637	(938,563)	41,810	(18,503)	19,691,882	574,354	143,908	111,333,525
With Donor Restrictions	4,625,680	-	456,773	-	900,000	494,357	(143,908)	6,332,902
Member Capital	-	3,631,500	-	430,243	-	-	(4,061,743)	-
Total Net Assets	96,464,317	2,692,937	498,583	411,740	20,591,882	1,068,711	(4,061,743)	117,666,427
Total Liabilities and Net Assets	\$ 97,948,972	\$ 2,702,251	\$ 17,541,430	\$ 412,190	\$ 20,598,000	\$ 3,349,068	\$ (4,319,731)	\$ 138,232,180

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Empire Health Foundation	Philanthropy Center, LLC	Philanthropy In Action	Sunset Health, LLC	Empire Health Community Advocacy Fund	Family Impact Network	Eliminations	Consolidated Totals
ASSETS								
Cash and Cash Equivalents	\$ 1,524,504	\$ 26,040	\$ 718,003	\$ 17,271	\$ 20,016,825	\$ 1,512,945	\$ -	\$ 23,815,588
Accounts Receivable, Net	404,800	-	-	4,000	-	1,342,740	(41,758)	1,709,782
Pledges Receivable, Net	1,000,000	-	-	-	-	-	-	1,000,000
Investments	77,794,608	-	15,204,512	-	-	-	-	92,999,120
Notes and Loans Receivable	1,530,000	-	-	-	-	-	-	1,530,000
Beneficial Interest in Trusts	283,165	-	-	-	-	-	-	283,165
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	69,064	2,812,003	-	403,067	-	10,583	-	3,294,717
Prepaid Expense	660,007	-	1,037	1,944	-	60,852	-	723,840
Other Assets	4,252,887	-	3,586	-	-	29,831	(4,061,743)	224,561
Total Assets	\$ 87,519,035	\$ 2,838,043	\$ 15,927,138	\$ 426,282	\$ 20,016,825	\$ 2,956,951	\$ (4,103,501)	\$ 125,580,773
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable	\$ 182,641	\$ 14,080	\$ 15,342	\$ 1,600	\$ 343	\$ 1,158,564	\$ (41,758)	\$ 1,330,812
Annuities Payable	43,227	-	-	-	-	-	-	43,227
Accrued Salaries, Wages, and Employee Benefits	127,951	-	-	-	-	36,654	-	164,605
Grants and Pledges Payable	458,748	-	-	-	-	-	-	458,748
Deferred Revenue	-	-	28,257	-	-	310,303	-	338,560
Funds Held for Others	-	-	15,521,068	-	-	295,167	-	15,816,235
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	82,000	-	-	-	-	-	-	82,000
Total Liabilities	894,567	14,080	15,564,667	1,600	343	1,800,688	(41,758)	18,234,187
NET ASSETS								
Without Donor Restrictions	84,169,613	(807,537)	(604)	(5,561)	20,016,482	1,131,263	361,750	104,865,406
With Donor Restrictions	2,454,855	-	363,075	-	-	25,000	(361,750)	2,481,180
Member Capital	-	3,631,500	-	430,243	-	-	(4,061,743)	-
Total Net Assets	86,624,468	2,823,963	362,471	424,682	20,016,482	1,156,263	(4,061,743)	107,346,586
Total Liabilities and Net Assets	\$ 87,519,035	\$ 2,838,043	\$ 15,927,138	\$ 426,282	\$ 20,016,825	\$ 2,956,951	\$ (4,103,501)	\$ 125,580,773

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Empire Health Foundation			Philanthropy Center, LLC	Philanthropy In Action			Sunset Health, LLC
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
REVENUE AND SUPPORT								
Contributions	\$ 2,500	\$ 3,997,479	\$ 3,999,979	\$ -	\$ 28,257	\$ 517,700	\$ 545,957	\$ -
Program Revenue	781,479	-	781,479	-	157,365	-	157,365	-
Investment Income, Net of Expenses	531,381	18,106	549,487	-	-	-	-	-
Net Realized Gain from Investments	1,973,881	7,575	1,981,456	-	-	-	-	-
Net Unrealized Gain from Investments	8,661,685	19,377	8,681,062	-	-	-	-	-
Other Income	1,679,363	-	1,679,363	156,795	-	-	-	18,000
Distributions	-	(17,969)	(17,969)	-	-	-	-	-
Net Assets Released from Restrictions	1,853,743	(1,853,743)	-	-	424,002	(424,002)	-	-
Total Revenue and Support	15,484,032	2,170,825	17,654,857	156,795	609,624	93,698	703,322	18,000
EXPENSES								
Grants Expenses	2,106,694	-	2,106,694	-	316,282	-	316,282	-
Provider Services	-	-	-	-	-	-	-	-
Concrete Goods Deliveries	-	-	-	-	-	-	-	-
Salaries, Payroll Taxes, and Benefits	3,559,155	-	3,559,155	-	90,372	-	90,372	-
Professional Services	1,322,132	-	1,322,132	125	143,520	-	143,520	-
Rent and Office Expenses	313,687	-	313,687	129,081	6,236	-	6,236	671
Other General and Administrative Expenses	416,743	-	416,743	485	9,178	-	9,178	2,863
Depreciation of Fixed Assets	32,038	-	32,038	158,118	-	-	-	20,140
Excise and Property Taxes	30,576	-	30,576	12	1,622	-	1,622	7,268
Interest Expense	1,187	-	1,187	-	-	-	-	-
Trailing: Other Business Litigation	1,554	-	1,554	-	-	-	-	-
Trailing: Other EHS Trailing Administration Expenses	31,242	-	31,242	-	-	-	-	-
Total Expenses	7,815,008	-	7,815,008	287,821	567,210	-	567,210	30,942
Member Contributions	-	-	-	-	-	-	-	-
CHANGES IN NET ASSETS	7,669,024	2,170,825	9,839,849	(131,026)	42,414	93,698	136,112	(12,942)
Net Assets - Beginning of Year	84,169,613	2,454,855	86,624,468	2,823,963	(604)	363,075	362,471	424,682
NET ASSETS - END OF YEAR	<u>\$ 91,838,637</u>	<u>\$ 4,625,680</u>	<u>\$ 96,464,317</u>	<u>\$ 2,692,937</u>	<u>\$ 41,810</u>	<u>\$ 456,773</u>	<u>\$ 498,583</u>	<u>\$ 411,740</u>

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Empire Health Community Advocacy Fund			Family Impact Network			Eliminations	Consolidated Totals
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
\$ -	\$ 900,000	\$ 900,000	\$ -	\$ 575,836	\$ 575,836	\$ (185,200)	\$ 5,836,572
-	-	-	18,979,397	-	18,979,397	-	19,918,241
42,702	-	42,702	-	-	-	-	592,189
-	-	-	-	-	-	-	1,981,456
-	-	-	-	-	-	-	8,681,062
-	-	-	12,500	440	12,940	(743,703)	1,123,395
-	-	-	-	-	-	-	(17,969)
-	-	-	106,919	(106,919)	-	-	-
42,702	900,000	942,702	19,098,816	469,357	19,568,173	(928,903)	38,114,946
256,250	-	256,250	316,127	-	316,127	(185,200)	2,810,153
-	-	-	16,716,159	-	16,716,159	-	16,716,159
-	-	-	41,409	-	41,409	-	41,409
38,450	-	38,450	2,151,978	-	2,151,978	(555,945)	5,284,010
67,984	-	67,984	48,879	-	48,879	(27,300)	1,555,340
573	-	573	219,135	-	219,135	(160,458)	508,925
4,045	-	4,045	157,562	-	157,562	-	590,876
-	-	-	4,476	-	4,476	-	214,772
-	-	-	-	-	-	-	39,478
-	-	-	-	-	-	-	1,187
-	-	-	-	-	-	-	1,554
-	-	-	-	-	-	-	31,242
367,302	-	367,302	19,655,725	-	19,655,725	(928,903)	27,795,105
-	-	-	-	-	-	-	-
(324,600)	900,000	575,400	(556,909)	469,357	(87,552)	-	10,319,841
20,016,482	-	20,016,482	1,131,263	25,000	1,156,263	(4,061,743)	107,346,586
<u>\$ 19,691,882</u>	<u>\$ 900,000</u>	<u>\$ 20,591,882</u>	<u>\$ 574,354</u>	<u>\$ 494,357</u>	<u>\$ 1,068,711</u>	<u>\$ (4,061,743)</u>	<u>\$ 117,666,427</u>

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Empire Health Foundation			Philanthropy Center, LLC	Philanthropy In Action		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT							
Contributions	\$ 2,000	\$ 33,498	\$ 35,498	\$ -	\$ 21,743	\$ 360,804	\$ 382,547
Program Revenue	550,000	-	550,000	-	-	-	-
Investment Income, Net of Expenses	860,131	35,331	895,462	-	-	-	-
Net Realized Gain from Investments	4,056,164	9,366	4,065,530	-	-	-	-
Net Unrealized Gain from Investments	8,664,093	41,232	8,705,325	-	-	-	-
Other Income	3,040,004	-	3,040,004	160,095	-	-	-
Distributions	-	(20,255)	(20,255)	-	-	-	-
Net Assets Released from Restrictions	1,988,003	(1,988,003)	-	-	137,806	(137,806)	-
Total Revenue and Support	19,160,395	(1,888,831)	17,271,564	160,095	159,549	222,998	382,547
EXPENSES							
Grants Expenses	2,919,663	-	2,919,663	-	30,000	-	30,000
Provider Services	-	-	-	-	-	-	-
Concrete Goods Deliveries	-	-	-	-	-	-	-
Salaries, Payroll Taxes, and Benefits	3,195,527	-	3,195,527	-	-	-	-
Professional Services	1,425,366	-	1,425,366	125	127,973	-	127,973
Rent and Office Expenses	324,067	-	324,067	159,071	136	-	136
Other General and Administrative Expenses	637,243	-	637,243	718	12,587	-	12,587
Depreciation of Fixed Assets	34,271	-	34,271	159,811	-	-	-
Excise and Property Taxes	123,965	-	123,965	7	445	-	445
Trailing: Other Business Litigation	1,236,552	-	1,236,552	-	-	-	-
Trailing: Other EHS Trailing Administration Expenses	(3,017,489)	-	(3,017,489)	-	-	-	-
Total Expenses	6,879,165	-	6,879,165	319,732	171,141	-	171,141
Member Contributions	-	-	-	4,500	-	-	-
CHANGES IN NET ASSETS	12,281,230	(1,888,831)	10,392,399	(155,137)	(11,592)	222,998	211,406
Net Assets - Beginning of Year	71,888,383	4,343,686	76,232,069	2,979,100	10,988	140,077	151,065
NET ASSETS - END OF YEAR	\$ 84,169,613	\$ 2,454,855	\$ 86,624,468	\$ 2,823,963	\$ (604)	\$ 363,075	\$ 362,471

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

Sunset Health, LLC	Community Advocacy Fund	Family Impact Network		Total	Eliminations	Consolidated Totals
		Without Donor Restrictions	With Donor Restrictions			
\$ -	\$ -	\$ 700,900	\$ 25,000	\$ 725,900	\$ (464,304)	\$ 679,641
-	-	12,815,963	-	12,815,963	-	13,365,963
-	17,651	-	-	-	-	913,113
-	-	-	-	-	-	4,065,530
-	-	-	-	-	-	8,705,325
4,000	20,000,000	37,500	-	37,500	(567,813)	22,673,786
-	-	-	-	-	-	(20,255)
-	-	-	-	-	-	-
<u>4,000</u>	<u>20,017,651</u>	<u>13,554,363</u>	<u>25,000</u>	<u>13,579,363</u>	<u>(1,032,117)</u>	<u>50,383,103</u>
-	-	-	-	-	(464,304)	2,485,359
-	-	11,020,251	-	11,020,251	-	11,020,251
-	-	23,859	-	23,859	-	23,859
-	-	1,522,169	-	1,522,169	(391,544)	4,326,152
4,149	997	114,877	-	114,877	(13,196)	1,660,291
132	164	139,769	-	139,769	(163,073)	460,266
690	8	170,756	-	170,756	-	822,002
3,357	-	4,379	-	4,379	-	201,818
1,233	-	188	-	188	-	125,838
-	-	-	-	-	-	1,236,552
-	-	-	-	-	-	(3,017,489)
<u>9,561</u>	<u>1,169</u>	<u>12,996,248</u>	<u>-</u>	<u>12,996,248</u>	<u>(1,032,117)</u>	<u>19,344,899</u>
<u>430,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(434,743)</u>	<u>-</u>
424,682	20,016,482	558,115	25,000	583,115	(434,743)	31,038,204
-	-	573,148	-	573,148	(3,627,000)	76,308,382
<u>\$ 424,682</u>	<u>\$ 20,016,482</u>	<u>\$ 1,131,263</u>	<u>\$ 25,000</u>	<u>\$ 1,156,263</u>	<u>\$ (4,061,743)</u>	<u>\$ 107,346,586</u>

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